

How much do your employees *REALLY* cost?

Employees can be the largest expense to a business; they are the lifeblood to your business. You probably couldn't run your business without them. But, if you aren't managing their true costs, they can drive you out of business FAST!

Here is an example business - his situation is certainly not unique!

John Smith owns a small painting business. He has 8 employees (6 of them hourly, and 2 salaried team leaders). John is very careful when estimating his jobs, careful to include the costs of all of the supplies he will need for his job, the time it will take to paint the rooms and even some profit for himself! Every month, when he reviews his Profit & Loss report, there's just enough profit from his jobs left over to cover his office rent – but forget anything extra, especially a payroll check for John! John's a typical small business owner - working harder and harder each day, but earning less and less. He's running out of time. Without some drastic changes, his business will have to close, his employees will lose their jobs, and he will be left with nothing to show for all of the long hours and hard work he has devoted to his business.

I asked John a few key questions about his business to get to the root of the problem. The one that struck a nerve was "How much do your employees cost you?" His reply? "I pay them \$12/hour". When I showed him that they were actually costing him more like \$18-20/hour, we quickly realized where his profits were going!

John failed to take a number of things into consideration that affect the actual costs of his employees – are you making the same mistake? Are your employees costing your business more money than you think? Cutting into your profits? Even worse – costing you your business?

Here are the most commonly overlooked employee costs:

- Employer payroll taxes (don't forget about the state unemployment taxes)
- Employee Benefits, like health insurance, worker's comp and retirement benefits
- Costs that you incur for your employees, like uniforms, cell phones and vehicles

And, don't forget about those non-productive hours:

- Holidays, sick & vacation time
- Long lunch breaks, time spent surfing the internet
- Staff meetings, time spent stocking the truck and purchasing materials.

The list can go on and on, depending on your business.

THE GOOD NEWS

With a few small adjustments to his business, he now has a thriving painting service – even in this difficult market! He's going to be profitable for the first time in years, and will even be able to put away a little extra this year for his own retirement.

In 2011, look for the dollar signs over your employee's heads and you may be amazed at what you discover hanging over your own head!

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